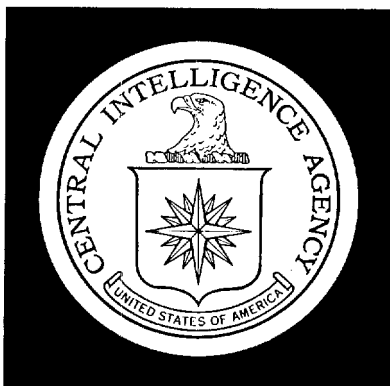


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DIRECTORATE OF  
INTELLIGENCE

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SOUTH VIETNAM: Vice President Ky is planning new moves to persuade President Thieu to postpone the elections, but his prospects appear slim.

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[redacted] Ky's staff is being reorganized in the hope of thwarting Thieu's plans to hold the presidential election on 3 October. Ky's organization also hopes to be in position to seize power in the event of Thieu's downfall. Ky reportedly has encouraged his followers to plan for both legal and "irregular" activities, including covert political action and military pressure. The vice president hopes to persuade senior South Vietnamese Army generals to join a "military high committee" which would demand that Thieu resign to pave the way for the organization of a new election. Most of the army commanders remain responsive to Thieu, however, and Ky is not likely to take any rash action without some substantial backing from the military.

Ky also is attempting to organize a broad political opposition. He is meeting with political figures ranging from usually progovernment northern Catholics to outspoken antigovernment politicians and leaders of militant veterans groups. Nevertheless, it is doubtful that these groups will agree to cooperate with one another in an effective way or that they would look to Ky for leadership. The vice president has had few ties with opposition circles in the past.

Thieu's public reaffirmation yesterday that he intends to go ahead with the election as scheduled reflects his determination to resist pressure for a postponement. Although Thieu almost certainly will not be swayed by Ky's maneuvers, the vice president's activities mean the uneasy political situation is likely to persist and quite possibly grow worse.

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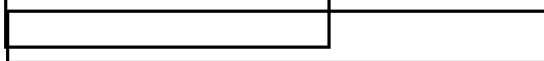
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NORTH VIETNAM: Official pronouncements on the North Vietnamese national day provided no further clues concerning a possible change in Hanoi's line on the war.

Premier Pham Van Dong's keynote speech did not contain the unusual themes that had recently appeared in two authoritative North Vietnamese articles, but neither did it echo the call for increased military action that had become standard propaganda fare over the previous several months. This earlier line cropped up here and there in other commemorative pronouncements, but the treatment fell well short of the clarion calls of previous propaganda.

North Vietnamese national day statements were also notable for the absence of any polemics taking Peking to task for its contacts with Washington. Hanoi, in fact, has not played this theme since 22 August, although the propaganda continues to show Hanoi's concern about its international position in the current situation.



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NORTH VIETNAM: The government is mobilizing resources to fight serious floods in the northern half of the country.

Premier Pham Van Dong has characterized the situation as worse than the catastrophic 1945 flood and ensuing famine that caused hundreds of thousands of deaths. Government leaders have directed that every assistance be provided to flood victims. The premier's office has warned that looters and speculators will be severely punished.

US weather data during August indicate that the northwest region of North Vietnam received up to 20 inches of rain above average, while elsewhere precipitation was near normal levels. However, runoff from rivers flowing down to the coast probably has caused serious flooding in the delta. Hanoi is experiencing some flooding. At least two provinces have reported rice acreage under water. Damage to the crop cannot be determined at this time, but any losses can be expected to be made up by increased food imports from the USSR and Communist China.

It is highly unlikely that the floods will affect ongoing logistical preparations in southern North Vietnam for the coming dry season supply push in Laos. The Communists have established military stockpiles in the North Vietnamese panhandle that will enable them to withstand any temporary disruption to the transport system in the north.

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JAPAN: The China issue is increasingly isolating Prime Minister Sato.

The enthusiastic reception accorded a senior Chinese official, Wang Kuo-ch'uan, in Japan has helped to further crystallize the pro-China "mood" there. Wang, a Japan specialist and the most prominent Chinese to visit Tokyo in recent years, made a very good impression throughout his visit. He met opposition party leaders as well as several of Sato's most outspoken critics within the ruling Liberal Democratic Party (LDP), including the head of a Diet delegation going to Peking this month. Leaders of Japan's powerful business community, such as chairman Nagano of New Japan Steel, were particularly eager to meet with Wang.

By not initiating substantive contacts with government leaders, Wang confirmed Peking's desire to keep its distance from the beleaguered Sato government and to encourage a broader and more united front of all Japanese who hope to bring the Sato era and its policies to an early end. As Sato's position weakens, the jockeying among contenders for his position intensifies and compounds his difficulties. Former foreign minister Masayoshi Ohira, who heads the LDP faction second only to Sato's in strength, has now broken openly with the prime minister on China. In a speech of 1 September he called for rapid establishment of governmental contacts with Peking to facilitate its early recognition by Japan. Ohira, who is Foreign Minister Fukuda's most powerful opponent in the upcoming struggle to succeed Sato as prime minister, undoubtedly will continue to press the China issue to advance his campaign.



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EAST PAKISTAN: The Bengali rebels are seriously disrupting key sectors of the East wing economy.

Their main impact is on jute, the mainstay of East Pakistan's economy. Mill bombings and threats to mill workers apparently caused a 15-percent drop in jute goods output in August. Output now is only about 20 to 35 percent of normal and most mills are operating at a loss. At least 85,000 bales of raw jute have been destroyed by the rebels and transportation disruptions apparently are preventing replenishment of raw jute stocks.

Exports of jute manufactures remain well below pre-hostility levels, and the prospects for raw jute exports are poor. Only 62,000 bales of the new crop have been sold to foreign buyers in the period 1 July to 7 August, about ten percent of sales in the same period last year. Stocks in port from earlier months were available in June and July when exports were about normal. Foreign jute customers may increasingly turn to substitute materials in the face of growing uncertainty over future supplies from Pakistan.

The picture is little brighter elsewhere in the East Pakistani economy. Retail sales in Dacca are running only 25 to 50 percent of normal and few new supplies are arriving from West Pakistan or foreign countries. Worker attendance in Dacca is only half of normal. Tea plants have had to close because of fuel shortages. Despite an easing of credit, banks are unable to find low risk borrowers. Moreover, recent flood damage to crops and transportation links has added to East wing miseries.

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INDIA: The government has announced a 16-point program designed to boost West Bengal's economy.

The program includes government take-over of factories that are having economic difficulties, and plans to establish 2,000 new small businesses annually. In addition, New Delhi intends to grant businessmen credit at concessional rates, to speed-up its industrial purchases to stimulate the state's large engineering industry, to give special consideration to raw material needs, and to ease restrictions on import requirements. This new program will supplement budgetary measures that have had only a limited effect during the past several years.

The depressed economic conditions in West Bengal in recent years are reflected in failures of about 350 industrial firms. Electricity and rail transport are grossly inadequate and investment funds are limited. Over six million of the eight million East Pakistani refugees have settled in West Bengal, adding to the state's chronic economic problems.

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**[ YEMEN (SANA):** Hasan al-Amri was dismissed as premier yesterday and has been forced into exile in Beirut, less than two weeks after taking office.

Al-Amri's ouster came at the hands of President Iryani and had the backing of the army [REDACTED]

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[REDACTED] He [REDACTED]  
[REDACTED] "relinquished all his official posts," which would presumably include his position as commander in chief of the armed forces and his membership on the Republican Council. The formal decree removing al-Amri, which will be issued shortly, will charge him with violations of the constitution and of attempting to sow dissension in the country.

The move against al-Amri was reportedly provoked by his recent killing of a local merchant in a personal vendetta, although this action was probably only seized upon as a pretext by his political rivals. Al-Amri's acceptance of the premiership made it appear that President Iryani had acceded to al-Amri's demands for freedom of action as a condition for accepting the post, but the struggle for personal power between the two longtime rivals apparently continued unabated. Prior to his dismissal, al-Amri had reportedly refused for several days to perform his ministerial duties and would not communicate with the President [REDACTED]

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UGANDA-TANZANIA: Border fighting between Ugandan and Tanzanian troops appears to have subsided for the time being.

Only sporadic incidents have been reported since the clashes of 24 and 25 August. Nevertheless, the chances for more serious encounters have increased. The fighting and the apparent troop buildup in the area by both sides have widened the rift between the two countries.

Ugandan President Amin has agreed to accept an offer of the Commonwealth Secretariat in London to mediate the dispute. It is uncertain, however, whether Tanzanian President Nyerere, who so far has refused to recognize the Amin government, will agree to discussions.

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NOTE

UNITED KINGDOM: The Bank of England reduced the bank rate by a full point to five percent yesterday. This action reinforces the government's decision earlier in the week--made after Japan's decision to float the yen--to impose foreign exchange controls to prevent an inflow of speculative funds. The cut, coupled with the fiscal stimulus of July's supplemental budget, will provide a further impetus to the economy, now growing at less than one percent a year. The immediate reaction in the London foreign exchange market to the move was a slight weakening of the pound.

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